

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
ACDA-12 AID-05 EB-08 TRSE-00 STR-07 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 HA-05
/118 W

-----010365 032009Z /70

P R 031922Z MAY 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 8256
INFO AMEMBASSY MOSCOW
USMISSION USBERLIN
USMISSION USNATO
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY BRUSSELS
AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMEMBASSY PRAGUE

C O N F I D E N T I A L SECTION 01 OF 02 BONN 08282

E.O. LL652: GDS
TAGS: EEWT, UR, GW
SUBJECT: BREZHNEV VISIT TO FRG: ECONOMIC ISSUES

REF: BONN 7596

1. SUMMARY: BREZHNEV VISIT WILL PRODUCE A NEW JOINT
ECONOMIC COOPERATION AGREEMENT. THE ONLY SIGNIFICANT
DIFFERENCE FROM PREVIOUS COOPERATION AGREEMENTS OF
1973 AND 1974 IS THE INTENTION FOR THIS AGREEMENT
TO BE VALID FOR THE NEXT 25 YEARS. JOINT PROJECTS
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SHOULD BE MENTIONED IN A SEPARATE JOINT COMMUNIQUE,
BUT NONE THAT WERE NOT PREVIOUSLY CONCLUDED. END SUMMARY

2. IN THE COURSE OF BREZHNEV'S VISIT TO THE FRG A
JOINT ECONOMIC COOPERATION AGREEMENT WILL BE SIGNED.
EXCEPT FOR THE TIME FRAMEWORK, THIS AGREEMENT DOESN'T
EFFECTIVELY DIFFER FROM THE ECONOMIC COOPERATION

AGREEMENTS THAT RESULTED FROM BREZHNEV'S VISIT IN 1973 AND SCHMIDT'S VISIT TO MOSCOW IN 1974. THE AGREEMENT IS A CONFIRMATION OF THE INTENTION OF BOTH SIDES TO FACILITATE COOPERATION ON A LONG-TERM BASIS. THE AGREEMENT HAS A TOTAL OF 10 ARTICLES AND SHOULD BE PUBLISHED AFTER THE VISIT CONCLUDES.

3. ARTICLE 9 OF THE AGREEMENT STATES THAT ITS INITIAL DURATION IS TEN YEARS. AFTER 10 YEARS BOTH SIDES CAN JOINTLY AGREE TO EXTEND THE AGREEMENT FOR PERIODS OF FIVE YEARS UP TO A TOTAL OF 25 YEARS (TILL 2003). BOTH SIDES WILL PROBABLY INDICATE THEIR BELIEF OR HOPE THAT THE AGREEMENT SHOULD BE EXTENDED TO THE FULL 25 YEARS.

4. WITH REGARD TO GOVERNMENT GUARANTEES ON CREDITS, THE FRG HAS INDICATED THAT IT WILL BE FORTHCOMING, AS THEY INDICATED IN 1974. THIS MAY FACILITATE CREDITS FROM THE PRIVATE SECTOR. THIS IS NOT, HOWEVER, A COMMITMENT OR OBLIGATION ON THE FRG'S PART TO GRANT GUARANTEES.

5. AS IN THE 1973 AND 1974 AGREEMENTS, THE NORMAL FRANK-FALIN CLAUSE IS INCLUDED.

6. COMPENSATION DEALS ARE NEVER MENTIONED EXPLICITLY
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IN THE AGREEMENT, BUT THE WORDING OF ARTICLE 4 HINTS AT COMPENSATION ARRANGEMENTS.

7. IN ADDITION TO THE COOPERATION AGREEMENT, A JOINT COMMUNIQUE WILL LIKELY MENTION JOINT PROJECTS THAT HAVE ALREADY BEEN AGREED UPON. HOWEVER, NO NEW COOPERATION DEALS ARE IN THE WORKS OR EXPECTED TO

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 08282

BE ANNOUNCED. AS A RESULT OF DISCUSSION NEW IMPULSES
MAY DEVELOP FOR POTENTIAL JOINT OPPORTUNITIES IN
THE FUTURE, PARTICULARLY CONCERNING DEVELOPMENT OF
SIBERIA. HOWEVER, NOTHING CONCRETE FOR PUBLIC
CONSUMPTION IS EXPECTED.

8. SINCE FIRST DEPUTY CHAIRMAN USSR COUNCIL OF
MINISTERS TIKHONOV AND FOREIGN TRADE MINISTER
PATOLICHEV ARE ACCOMPANYING BREZHNEV, ECONOMICS IS
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EXPECTED TO OCCUPY LITTLE OF THE EYE-TO-EYE DISCUSSION
BETWEEN SCHMIDT AND BREZHNEV.

9. COMMENT: PRE-VISIT PUBLICITY FROM BOTH
GOVERNMENTS FOCUSED HEAVILY ON ECONOMIC ASPECTS. THIS
APPEARS TO BE A RESULT OF THE FACT THAT BILATERAL
ECONOMIC RELATIONS HAVE DEVELOPED POSITIVELY SINCE THE
VISITS OF 1973 AND 1974, RATHER THAN EXPECTATIONS OF
GREAT ECONOMIC STRIDES AS A RESULT OF THIS VISIT.
THIS EMPHASIS HIGHLIGHTS THE PROGRESS MADE IN
BILATERAL RELATIONS, IN SPITE

OF THE PROMINENCE OF PROBLEMS OUTSIDE THE ECONOMIC
AREA, THE ECONOMIC RELATIONSHIP HAS REACHED THE
LEVEL WHERE IN AND OF ITSELF, IT HAS SIGNIFICANT IM-
PORTANCE TO THE FRG. TRADE AND JOINT ECONOMIC
COOPERATION WITH THE USSR ARE BENEFICIAL TO
THE FRG ECONOMICALLY, AND THE FRG WILL ENCOURAGE SUCH
DEVELOPMENT TO THE EXTENT IT REMAINS BENEFICIAL.
THE GERMANS ARE FULLY AWARE OF THE LIMITATIONS OF
DEALING WITH A STATE-RUN ECONOMY.
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